

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

IXYS CORPORATION,

No. C 02-03942 MHP

Plaintiff,

**MEMORANDUM AND ORDER RE:
MOTION FOR LEAVE TO AMEND**

v.

ADVANCED POWER TECHNOLOGY, INC.,

Defendant.

AND RELATED COUNTERCLAIMS.

Defendant and counter-claimant Advanced Power Technology, Inc. (APT) has filed a motion for leave to amend seeking permission to counterclaim against plaintiff IXYS Corporation (IXYS) for infringement of its U.S. Patent No. 5,262,336 ("the '336 patent"), a patent not previously at suit. After having considered the parties' arguments and submissions, and for the reasons set forth below, the court rules as follows.

BACKGROUND

On August 15, 2002, IXYS filed the present action against APT alleging infringement of U.S. Patents Nos. 5,486,715 ("the '715 patent") and 5,801,419 ("the '419 patent"), two patents for improved power MOSFET devices. Six weeks later, on October 1, 2002, APT filed an answer and counterclaimed against IXYS for infringement of its own patent, U.S. Patent No. 5,283,202 ("the '202 patent"), which

describes the invention of diodes with improved lifetime control. Per IXYS's request, APT filed amended counterclaims on October 18, 2002, that served mainly to clarify its allegations of inequitable conduct.

The '336 patent made its first appearance in this case during a case management conference held on December 16, 2002. At that conference, APT informed the court that it intended to bring a motion for summary judgment before the court had construed the relevant claims; it alleged that IXYS's patents were invalid over the prior art of the '336 patent. Catalano Dec., Exh. 2., at 12:11-21. Continuing in this vein, APT officially included the '336 patent in its invalidity case by serving a claim chart of that patent on IXYS in March of 2003. During that same month, IXYS produced to APT all relevant documents describing the processes that are now accused of infringing both the '202 and '336 patents. APT has not yet filed this motion for summary judgment.

As discovery in this case continued, the court held a technology tutorial on September 24, 2003, and a claim construction hearing on October 15, 2003, covering the subject matter and claims of IXYS's '715 and '419 patents, as well as APT's '202 patent. On October 24, 2003, IXYS served upon APT a 30(b)(6) deposition notice that referenced both the '202 and '336 patents. APT claims that it realized IXYS may be infringing the '336 patent only after reading this deposition notice; on November 14, 2003, it sent a letter to IXYS requesting that IXYS allow APT to amend its counterclaims to include infringement of the '336 patent. Catalano Dec., Exh. 11. IXYS did not so consent, and on December 1, 2003, APT filed this motion for leave to amend. As of December 1, 2003, neither the 30(b)(6) deposition addressing the '202 and '336 patents, nor, apparently, any other depositions, had yet taken place. Prior to the hearing on this matter, fact discovery in this case (on every subject other than willfulness) was set to end on January 20, 2004. Catalano Dec., Exh. 15, at 1. Trial is currently set for July 6, 2004.

LEGAL STANDARD

After responsive pleadings have been served, plaintiffs must seek the court's permission to amend their complaint. Determining whether to grant such leave "rests in the sound discretion of the trial court, and will be reversed only for abuse of discretion." Swanson v. United States Forest Serv., 87 F.3d 339, 343 (9th Cir. 1996). The Federal Rules of Civil Procedure provide that leave to amend be "freely given when

1 justice so requires.” Fed. R. Civ. Pro 15(a). The Ninth Circuit has construed this broadly, requiring leave
2 to amend be granted with “extraordinary liberality.” Morongo Band of Mission Indians v. Rose, 893 F.2d
3 1074, 1079 (9th Cir. 1990); see also DCD Programs, Ltd. v. Lexington, 833 F.2d 183, 186 (9th Cir.
4 1987) (Rule 15’s policy of favoring amendments to pleadings should be applied with ‘extreme liberality’);
5 Advanced Cardiovascular Sys., Inc. v. SciMed Life Sys., Inc., 989 F. Supp. 1237, 1241 (N.D. Cal.
6 1997) (“[T]he court must be very liberal in granting leave to amend”).

7 Despite this liberal policy of amendment, leave will not be given where the district court has “a
8 substantial reason to deny” the motion. J.W. Moore et al., Moore’s Federal Practice § 15.14[1] (3d ed.
9 2003) (“[D]istrict judge[s] should freely grant leave to amend when justice requires, absent a substantial
10 reason to deny”). “The district court’s discretion to deny leave to amend is particularly broad where
11 plaintiff has previously amended the complaint.” Sisseton-Wahpeton Sioux Tribe v. United States, 90 F.3d
12 351, 355 (9th Cir 1996) (citation omitted). The court may decline to grant leave where there is “any
13 apparent or declared reason” for doing so. Foman v. Davis, 371 U.S. 178, 182 (1962); see also
14 Lockman Found. v. Evangelical Alliance Mission, 930 F.2d 764, 772 (9th Cir. 1991). The Ninth Circuit
15 has interpreted Foman as identifying “four factors relevant to whether a motion for leave to amend
16 pleadings should be denied: undue delay, bad faith or dilatory motive, futility of amendment, and prejudice
17 to the opposing party.” United States v. Webb, 655 F.2d 977, 980 (9th Cir. 1981). It has also
18 determined that the enumerated factors are not of equal weight and that delay alone is insufficient to deny
19 leave to amend. Id. (citing Howey v. United States, 481 F.2d 1187 (9th Cir. 1973)). By the same token,
20 “[p]rejudice to the opposing party is the most important factor.” Jackson v. Bank of Hawaii, 902 F.2d
21 1385, 1387 (9th Cir. 1990). The party opposing leave to amend bears the burden of showing prejudice.
22 DCD Programs, Ltd. v. Leighton, 833 F.2d 183, 187 (9th Cir. 1987). In such cases, justice does not
23 require amendment; to grant such amendment would further an injustice upon the defendant.

24 DISCUSSION

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26 The advantages to the court (and to the parties) of allowing APT to litigate its additional
27 counterclaim as part of this action are obvious and straightforward. Foremost are the self-evident gains in
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1 judicial efficiency and consistent resolution of legal and factual questions to be realized from litigating related
2 issues in the same court simultaneously. In addition—and of particular relevance to this action—nearly all
3 patent cases involve technology that is outside of the core competency of a typical Article III judge, and
4 therefore it is especially in the interests of judges and parties involved in patent litigation to consolidate all
5 actions involving similar technology and related patents in the same court, rather than forcing the parties to
6 repeatedly explain themselves to novel audiences.

7 The question thus arises as to whether any of the four Webb factors are present here to the degree
8 necessary to overcome the general presumption in favor of allowing amendment. IXYS does not allege that
9 APT is acting in bad faith by seeking to amend its claims so close to the conclusion of fact discovery and
10 more than seven months after it was first made aware of the processes it now claims infringe its patent. Nor
11 does IXYS argue that APT's amended counterclaim would be futile. The court must therefore consider
12 whether IXYS will be prejudiced if APT is allowed to amend, and whether such an amendment will result in
13 undue delay. Webb, 655 F.2d at 980. This weighing of the factors, unlike many of its type, is not precisely
14 disjunctive; the Ninth Circuit has stated explicitly that delay, standing alone, is not sufficient grounds for
15 denying leave to amend. Id. ("... delay alone no matter how lengthy is an insufficient ground for denial of
16 leave to amend."); see also Morongo, 893 F.2d at 1079. Moreover, prejudice to the non-moving party is
17 considered the most important of the four factors. Jackson, 902 F.2d at 1387. The court will thus address
18 the issue of prejudice before turning to the delay that will result from APT's proposed amendment.

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21 I. Prejudice

22 IXYS argues that it will suffer prejudice if APT is allowed to amend its counterclaims because it will
23 be forced to address a new legal theory (infringement of the '336 patent) and conduct extensive additional
24 discovery. Indeed, the need for a party to conduct supplemental discovery or to consider a new line of
25 legal argument are classic sources of prejudice that have regularly proven sufficient to defeat a motion for
26 leave to amend. See Zikovic v. Southern California Edison Co., 302 F.3d 1080, 1087 (9th Cir. 2002)
27 ("requirement of additional discovery would have prejudiced Edison"); Morongo, 893 F.2d at 1079 (new
28 legal theory). Despite IXYS's strident protestations, the "new legal theory" to which IXYS points would

1 not force it to undertake quite the "radical shift in direction" or "entirely new course of defense" described in
2 several of the cases that relied upon the presentation of new legal avenues as grounds for refusing to allow
3 amendment. Id. The '336 patent is a parent of the '202 patent and describes correspondingly similar
4 technology; the majority of the claim terms in question in the '336 patent are repeated in the '202 patent.
5 Nonetheless, IXYS notes correctly that this court would be forced to construe a number of new claim
6 terms, and thus that amendment would force IXYS to address those new claim terms and their meaning
7 within the particular context of the '336 patent, issues which are novel to this action.

8 A more significant source of putative prejudice here is the additional discovery that APT's
9 proposed amended claims would necessitate. In order to fully litigate the newly presented claims, IXYS
10 would need to conduct a further round of typical patent discovery, undoubtedly involving the consultation of
11 experts and the review of factual information relevant to both the construction of the patent's claims and its
12 validity, in addition to the principal question of infringement. The fact that IXYS has already obtained the
13 patent's file history and—somewhat more recently—APT's infringement contentions is helpful but not
14 compelling; the necessity for IXYS to consult experts and conduct factual discovery regarding the novel
15 questions raised by the '336 patent remains. If the '336 and '202 patents were sufficiently similar as to
16 require no attending supplementary discovery, there would be no need for APT to amend its counterclaims
17 to add the '336 patent in the first instance as the accused processes could all be said to infringe the extant
18 '202 patent. The court finds that IXYS will suffer some prejudice if APT is allowed to amend its claims.

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21 II. Delay

22 The Ninth Circuit has been uncharacteristically opaque regarding the precise meaning of the "undue
23 delay" factor described in Webb. In some cases, the Ninth Circuit has appeared to indicate that the
24 reviewing court must inquire into whether allowing an amendment would cause delays in the operative trial
25 schedule. See, e.g., Loehr v. Ventura County Community College District, 743 F.2d 1310, 1320 (9th Cir.
26 1984) (permitting an amendment "would have substantially complicated and delayed the case for new
27 discovery, responsive pleadings, and considerations of state law"). In others, the Circuit has described the
28 party's delay in moving to amend as the appropriate touchstone; undue delay has occurred when a party

1 has filed a motion for leave to amend long after it should have become aware of the information that
2 underlies that motion. See, e.g., Jackson, 902 F.2d at 1388 ("Relevant to evaluating the delay issue is
3 whether the moving party knew or should have known the facts and theories raised by the amendment in
4 the original pleading.").

5 Though the Ninth Circuit has variously described these two conceptions of undue delay as
6 important, the former is far more significant for all practical purposes. The existing prohibitions on
7 amendment are not intended simply as a punitive measure to be deployed against parties that have
8 carelessly prepared their causes of action, but are instead meant to facilitate the orderly litigation of cases
9 and the maximization of judicial economy without burdening opposing parties with overly deleterious
10 consequences. It is difficult to imagine what deterrent purpose one could possibly serve by penalizing a
11 party for undue delay in filing an amendment when that amendment neither alters the pre-existing trial
12 schedule nor causes significant prejudice to the opposing party.

13 By the more significant of these metrics, however, APT's motion for leave to amend fares poorly.
14 APT advocates placing the '336 patent's infringement trial on the same scheduling track as the other three
15 patents already in suit, a process that would, as IXYS notes, force the parties to complete in approximately
16 two months a process for which the local rules allow more than six months. In its rush to squeeze
17 consideration of the '336 patent into the pre-existing discovery and trial timetable (or as close to it as
18 possible), APT has proposed a truncated discovery calendar that will itself trigger substantial prejudice to
19 IXYS. It may well be, as APT suggests, that IXYS's defenses and arguments regarding the '336 patent will
20 be so similar to its positions on the '202 patent that discovery, claim construction, and trial preparation can
21 be completed according to the current calendar. Yet this is by no means a certainty, and to force IXYS to
22 adhere to such a schedule would be to penalize it for APT's own failures. This is a paradigmatic example
23 of prejudice to the opposing party, and this court cannot sanction it here.

24 By consequence, if these four patents are to be brought to trial together, it will in all likelihood be
25 necessary to extend the schedules for fact discovery, pre-trial motions, and trial by some number of
26 months.¹ Given the natural length of patent litigation that type of delay will not be overwhelming; however,
27 IXYS, as the original plaintiff in this action, has a vested interest in reaching trial with relative alacrity, and
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1 so any further delay occasioned by APT's negligence again works to IXYS's detriment through no fault of
2 its own. If APT had discovered the relevance of *its own parent patent* to this case when it filed its
3 counterclaims in October 2002, or even when it was served with the documents describing IXYS's
4 allegedly infringing processes in March 2003, the counterclaims related to the '336 patent could have
5 proceeded apace. Regrettably, that ship has long since sailed, and the amendment APT proposes would
6 necessarily impose upon this court and upon the opposing party a delay of significant length. The court
7 finds that a delay of several months will necessarily occur if APT is allowed to amend its counterclaims.
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9 **III. Non-Compulsory Counterclaim**

10 A final factor that warrants consideration within this rubric is the non-compulsory nature of APT's
11 proposed amended counterclaim. APT could almost surely bring its '336 patent infringement claim in a
12 separate action,² and thus this court need not be overly concerned with preventing APT from litigating here
13 a cause of action for which it will subsequently be unable to find a proper forum. See J.W. Moore et al.,
14 Moore's Federal Practice § 13.43[1] (3d ed. 2003) ("Another significant factor to be considered is
15 whether the counterclaim is compulsory; the risk of the claim being barred in a subsequent action supports a
16 liberal amendment standard to include omitted compulsory counterclaims."). While this consideration is far
17 from dispositive, it nonetheless illustrates the extent to which denial of APT's motion for leave to amend will
18 not perpetrate a substantial injustice upon that party.
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20 In sum, the substantial considerations of judicial economy and efficiency that exist in these
21 circumstances compel this court to allow APT to amend its counterclaims unless the potential for equally
22 grave harm to IXYS demands otherwise. The court finds that IXYS will suffer only de minimus prejudice if
23 APT is permitted to amend, so long as APT's counterclaims are placed on a schedule conducive to
24 allowing IXYS the full measure of time prescribed in the local rules to deal with these new claims. If this
25 solution is unsuitable to APT, it remains free to drop its '336 patent counterclaim and return this case to the
26 status quo ante.
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28 **CONCLUSION**

1 For the foregoing reasons, APT's motion for leave to amend is GRANTED. The parties are
2 directed to jointly file a new schedule setting forth schedules for discovery, briefing, claim construction, trial,
3 and related proceedings. Parties are to endeavor to maintain the schedule such that the four patents are
4 tried together, to the extent that such a schedule remains possible. However, the court fully recognizes that
5 trial on the IXYS patents may need to proceed and trial and related proceedings on APT's patents may
6 need to be delayed so as not to render undue prejudice and delay to IXYS. The court is prepared to
7 resort to this "bifurcation" *if necessary*. APT is ordered to pay all costs and fees incurred by IXYS when
8 IXYS is forced to conduct discovery or engage in other proceedings related to the '336 patent that
9 duplicates efforts it has already made with respect to other patents at suit.

11 IT IS SO ORDERED.

13 Dated: January 22, 2004

/s/ _____
MARILYN HALL PATEL
Chief Judge
United States District Court
Northern District of California

ENDNOTES

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3 1. This is not to mention the fact that it will also be necessary to schedule another claim construction
4 hearing, though, mercifully, no further technology tutorial would be required.

5 2. While there is no doubt that APT's original counterclaim for infringement of the '202 patent was entirely
6 permissive, a certain logic suggests that by bringing that claim before this court APT has rendered its related
7 '336 patent counterclaim compulsory. The '202 and '336 patent counterclaims plainly arise from a
8 common nucleus of operative fact, as they both attack the same allegedly infringing processes. The patents
9 themselves are even related; the '336 patent is the parent of the '202 patent. By bringing a counterclaim
10 based upon the '202 patent before this court, APT has acknowledged that it views this court as an
11 acceptable forum in which to litigate that patent, a view that it could hardly later disclaim with regard to the
12 '336 patent. Moreover, the concerns with judicial economy that motivate the compulsory counterclaim rule
13 (and which play a prominent role in APT's motion for leave to amend) are equally applicable here, since
14 (as APT itself argues) failure to litigate both patents here will force a second court to acquaint itself with the
15 relevant technology and information and engage the parties in a protracted recapitulation of the work they
16 have already undertaken.

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Nevertheless, this court is unable to find any instance in which an otherwise permissive counterclaim
has been transmogrified into a compulsory counterclaim in this fashion, and such an outcome is unlikely
here. The court will thus proceed under the assumption that APT will be able to file this counterclaim at a
later date if the motion for leave to amend is denied.